

News Release

Immediate release

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Government of Canada Provides Unprecedented Support to Provinces and Territories

The Honourable Jim Flaherty, Minister of Finance, today confirmed that Equalization and Territorial Formula Financing payments for 2008-09 will reach a combined total of \$15.9 billion.

"This past year was a turning point in our history," said Minister Flaherty. "Our government restored fiscal balance in Canada, providing a solution that is principles-based and predictable. A restored fiscal balance will ensure provinces and territories have both the means and clarity of purpose to develop and provide programs and services that are important to Canadians."

As a result of our fiscal balance plan, Equalization transfers will increase by almost \$700 million over the previous year, reaching an all-time high of \$13.6 billion. This growth is largely due to an increase in overall provincial revenues resulting from a strong Canadian economy.

The new Equalization formula is based on the report of the Expert Panel on Equalization, known as the O'Brien report. The new Equalization formula bases entitlements on a comprehensive measure of a province's ability to raise revenues as compared to other provinces. In doing so, it ensures provinces can provide reasonably comparable levels of services at reasonably comparable rates of taxation.

The system is consistent with the original intent of the program, and accounts for why some provinces have seen their payments rise while provinces which have experienced above-average economic growth, due largely to strong resource revenues, will see their payments decline.

Transfers through the Territorial Formula Financing program also increased in 2008-09 by over \$90 million compared to 2007-08, reaching \$2.3 billion. Yukon will receive \$564 million, the Northwest Territories \$805 million and Nunavut \$944 million as a result of the escalator attached to the program.



Government
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Canada

Equalization

	N.L.	P.E.I.	N.S.	N.B.	Que.	Man.	Sask.	TOTAL
2008-09								
			(\$ millions)					
Equalization	158	322	1,465	1,584	8,028	2,063	0	13,620
Accord Offsets	742		106					848
Total	899	322	1,571	1,584	8,028	2,063	0	14,468
<i>\$ Per capita¹</i>	1,781	2,310	1,679	2,111	1,038	1,732	0	
2007-08								
			(\$ millions)					
Equalization	477	294	1,465	1,477	7,160	1,826	226	12,925
Accord Offsets	494		68					563
Total	972	294	1,533	1,477	7,160	1,826	226	13,487
<i>\$ Per capita¹</i>	1,921	2,119	1,641	1,970	931	1,540	227	

¹Includes Equalization and Accord Offsets.
Totals may not add due to rounding.

More information on the Equalization program is available at:
<http://www.fin.gc.ca/FEDPROV/eqpe.html>.

Additional background on Territorial Formula Financing is similarly available at:
<http://www.fin.gc.ca/FEDPROV/tffe.html>.

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